

Memorandum

TO: Police and Fire Department Retirement Plan Board **FROM:** Alex Gurza

SUBJECT: Police Tier 2 Contribution Rates **DATE:** July 24, 2013

Background

The purpose of this memo is to follow-up on the three previous memos we have sent to the Police and Fire Department Retirement Board regarding the implementation of Police Tier 2. For your convenience, we have attached the following communications:

Memo Date	Subject
April 26, 2013	Police Second Tier
May 30, 2013	Draft Police Second Tier Ordinances
July 8, 2013	Police Tier 2 Implementation Date

We recently learned that the Board's actuary, Cheiron, has not yet begun working on the Police Tier 2 contribution rates. Since the Police second tier will be effective on August 4, 2013, we wanted to communicate to the Board our request that interim rates be established.

It is important to point out that the Police second tier is similar to the Federated second tier which has been in place since September 30, 2012. Cheiron was able to calculate contribution rates that were approved by the Federated Retirement Board in time for the implementation of the Federated Tier 2.

Police Tier 2 Contribution Rates

On or after August 4, 2013, new Police hires, rehires and reinstatements into the Police and Fire Department Retirement Plan will be in Tier 2, even if contribution rates have not been established. We understand that the Board must administer the retirement plans and establish contribution rates based on the establishment of benefits through the negotiation process between the City and the bargaining units. With this understanding, in addition to the fact that Cheiron has yet to develop the contribution rates, we would like to suggest the options below for Police Tier 2 contribution rates for the Board's consideration:

- **Option #1** – Use the Tier 2 rates that were developed by the City's actuary, Bartel Associates, until Cheiron can establish the contribution rates.
- **Option #2** – Use interim contribution rates to be developed by Cheiron at the Board's request.
- **Option #3** – Use the Tier 1 employee pension contribution rate for Tier 2 employees until the Tier 2 pension contribution rates are set. This would result in the Board

retroactively adjusting the contribution rate for these employees once the Tier 2 contribution rates are set.

We would like to avoid the Board not establishing the Tier 2 pension contribution rates in time for the effective date of Tier 2 (August 4th), as the absence of contribution rates could lead to retroactive or higher contribution rates for the City and Tier 2 members. This is important in light of the fact that Police Tier 2 members share 50 percent of the cost of their retirement benefits. Please note that if the Board were to utilize Option #3, this could result in over collecting contributions from both the City and employees.

The City will work with the Board, the Board's Counsel and Retirement Services staff to answer any questions regarding how the plan will be administered and believe that many of the questions contained in your letter can be easily answered. We would be glad to meet in advance of the August Board meeting with Retirement Services staff or whomever you designate to review the questions about Tier 2.

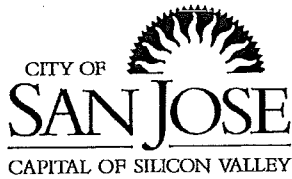


Alex Gurza
Deputy City Manager

For any questions, please contact Jennifer Schembri at (408) 535-8154.

Attachments

- c: Jennifer Schembri, Deputy Director of Employee Relations
- Roberto Pena, Director of Retirement Services
- Harvey Leiderman, Counsel to the Police and Fire Department Retirement Plan Board



Memorandum

TO: Police and Fire Department
Retirement Plan

FROM: Alex Gurza

SUBJECT: Police Second Tier

DATE: April 26, 2013

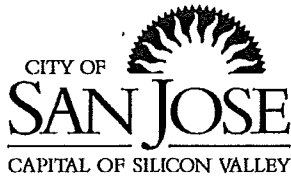
On April 25, 2013, the City and the Police Officers' Association reached an agreement on a stipulated award for a second tier pension benefit for employees who enter the Police and Fire Department Retirement Plan after the implementation of the second tier. Subsequently, on April 26, 2013, the Binding Interest Arbitration Board approved and adopted the Joint Proposed Stipulated Award regarding Police second tier benefits. We have attached the Stipulated Award.

The City would like to work with the Board to have the Police second tier in place as soon as possible. We are currently working on a draft ordinance that we will get to the Board for review as soon as it is ready. The draft ordinance will be similar to the ordinance that implemented a second tier in the Federated City Employees' Retirement System.

We request that the Board have its actuary begin working on developing contribution rates for the Police second tier. If it would be helpful, we would be happy to have the Board's actuary talk to the City's actuary who has developed estimates for the contribution rates for the Police second tier.

Alex Gurza
Deputy City Manager

Attachment



Memorandum

TO: Police and Fire Department Retirement Plan Board **FROM:** Alex Gurza

SUBJECT: Draft Police Second Tier Ordinances

DATE: May 30, 2013

Attached are the draft ordinances for the second tier pension benefit for new employees in the Police and Fire Department Retirement Plan. These documents are the entire Municipal Code Section 3.36 and 3.44 with the revisions marked as track changes.

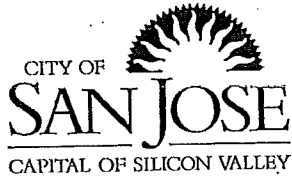
We have also attached the approved and adopted Joint Proposed Stipulated Award from the April 26, 2013, Binding Interest Arbitration Board, which includes a summary of the second tier benefits.

It is our intent to take these draft ordinances to the City Council for the first reading on June 11, 2013, so we would appreciate you getting back to us with any recommended changes as soon as possible.

If you have any questions, please contact me at (408) 535-8155 or Jennifer Schembri at (408) 535-8154.

Alex Gurza
Deputy City Manager

Attachments



Memorandum

TO: Police and Fire Department Retirement
Plan Board

FROM: Alex Gurza

SUBJECT: Police Tier 2 Implementation Date

DATE: July 8, 2013

At the June 18, 2013, Council Meeting, the Council voted to approve the second reading of the Police Tier 2 ordinance. During this Council meeting, the effective date of the ordinance was established as August 4, 2013.

Under the new effective date, all new sworn Police employees hired, rehired or reinstated into the Police and Fire Department Retirement Plan on or after August 4, 2013, will be placed into Tier 2.

Per the memo sent to the Board on April 26, 2013, we ask that the Board establish contribution rates for Police Tier 2 at its August 1, 2013, meeting.

We look forward to working with the Board to implement Tier 2.

Alex Gurza
Deputy City Manager

For any questions, please contact Jennifer Schembri at (408) 535-8154.